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TAGS: [ECPS](#) [ECON](#) [EINV](#) [KU](#)
SUBJECT: GOK ENCOURAGING FOREIGN TELECOMS TO PARTNER WITH
KUWAITIS TO BID FOR MOBILE LICENSE

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¶11. (U) There has been significant uncertainty in recent weeks over whether foreign mobile phone operators would be able to bid on Kuwait's third mobile license and if so, whether they would need to do so with a Kuwaiti partner. In February, the National Assembly passed legislation "to establish a Kuwaiti Joint Stock Company for the purpose of providing mobile, paging, and other wireless telecommunications services, in compliance with the Islamic Sharia'a." The law stipulates the following shareholder distribution: 24 per cent for the Government, 50 per cent to be offered to the public, and 26 per cent to be sold to a "foreign telecom operator and/or Kuwaiti listed company, excluding the existing mobile telecommunications companies" in Kuwait. However, beginning in late August, a number of press reports suggested that the rules might be changed to exclude foreign bidders, or at least require them to bid with a Kuwaiti partner. On August 31, The Middle East Economic Digest (MEED) reported that "Some of the region's largest mobile phone operators do not know whether they are eligible to bid for Kuwait's third mobile license." In this and subsequent press articles, senior executives from UAE's Etisalat as well as Kuwait's MTC (now Zain) and Wataniya all complained that the Kuwait Investment Authority (KIA), which is responsible for the license auction, failed to clarify the bidding rules.

¶12. (U) On September 18, KIA's Adel Al-Roumi, Chairman of the Establishing Committee for the Third Mobile Telecommunications Company, told econoff that foreign telecom operators can bid and do not necessarily have to do so with a local Kuwaiti partner, although this was encouraged. He explained that there had been a number of delays in the auction timeline due to the confusion over rules but KIA now expects to issue tender documents on September 19 and then allow companies eight weeks to bid. He said a press release would be issued in the coming days and KIA's website would be updated with this information. Al-Roumi added that KIA had hired Booz Allen Hamilton to help define regulatory principles and design and manage the tendering process "in the most transparent way possible." He said an IPO for the public shareholding company would follow the selection of the telecom operator, and the company would be expected to start operating in February 2008. Press reports suggest that UAE's Etisalat, Egypt's Orascom, Turkey's Turkcell, and Saudi Telecom are all interested in bidding. One American operator has also expressed interest to Post's Commercial Section and engaged a local Kuwaiti investment company as a potential partner.

¶13. (SBU) With well over 100 per cent penetration and two entrenched Kuwait-based regional operators, MTC and Wataniya,

controlling nearly even market shares, it is unclear how the local market will be affected by a new entrant. Competition between the two incumbents is already quite fierce on price, features, and service, so it is questionable whether the entry of a third provider will provide any significant benefits to consumers. The CEOs of Wataniya and MTC have both told econoff that the Government's decision to introduce a third operator was not a wise economic decision but purely a political move to please local investors. Saad Al-Barrak, CEO of MTC is quoted in the press as saying, "I feel sorry for the third operator and the people who are investing in the third operator. The telecoms law in Kuwait relates to the Stone Age."

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